

**SHINING A LIGHT ON THE.....
Somerset Asia Income Fund**

AT A GLANCE

Investment Objective
The Fund aims to deliver a high level of income with potential for capital growth over the long term (5 years or more). The Fund is actively managed and will invest in companies which are incorporated, domiciled, listed, or conduct significant business in the Asia Pacific region (excluding Japan). The Fund will typically invest at least 90% (minimum 80%) in equities or equity related derivatives but may also invest in collective investment schemes (up to 10% of Fund assets) which may be collective investment schemes managed by the Manager or by third party managers, corporate debt securities, other transferable securities, money market instruments, warrants, cash and deposits. Exposure to the companies will typically be direct but the Fund may also have limited indirect exposure (through derivatives).

Inception Date	5 th March 2012
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00001DLZ1

Management	
Manager Name	Start Date
Mark Williams	5 th March 2012
Carolyn Chan	5 th March 2012

FUND PERFORMANCE

Performance from 1st January 2016 to 30th November 2022:

	2016	2017	2018	2019	2020	2021	2022
MI Somerset Asia Income Fund	33.27%	16.99%	-8.28%	13.42%	13.44%	5.25%	-6.24%
MSCI AC Pacific Ex Japan NR LCL	7.96%	30.23%	-11.60%	19.86%	18.84%	-3.53%	-14.13%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
MI Somerset Asia Income Fund	-4.59%	15.48%	20.18%	120.19%
MSCI AC Pacific Ex Japan NR LCL	-13.22%	2.94%	6.30%	73.45%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.07	-	101.60	15.70	47.22	1.06	(0.35)	Value / Large

Volatility Measurements	
3-Yr Std Dev (volatility)	17.03%
3-Yr Mean Return (average)	4.91%

Investment Style Details	
Giant	23.45%
Large	38.73%
Medium	31.74%
Small	6.13%
Micro	0.00%

Top 5 Holdings – 302 Holdings		
Lotes Co Ltd	Technology	4.10%
TSMC	Technology	4.06%
Samsung Electronics Co Ltd	Technology	3.18%
SITC International Holdings Co Ltd	Industrials	2.99%
ANTA Sports Products Ltd	Consumer Cyclical	2.93%

Top 5 Sectors	
Technology	25.48%
Industrials	15.60%
Financial Services	15.50%
Real Estate	11.91%
Basic Materials	9.40%

Top 5 Countries	
China and Hong Kong	37.88%
Taiwan	19.57%
South Korea	9.58%
Australia	6.46%
India	5.49%

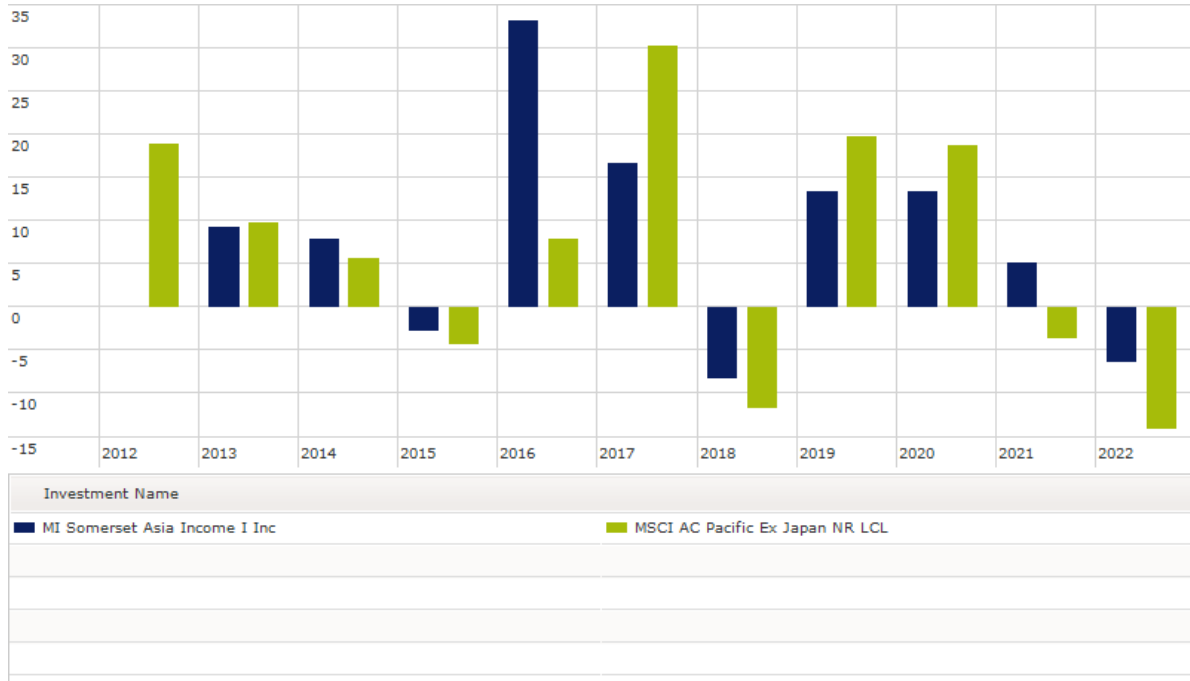
Fund Benchmark	MSCI AC Pacific Ex Japan NR LCL
Fund size (Mil)	GBP 90.67
Ongoing Charge (share class A)	0.84%

Bull points (pros)	Bear points (cons)
<ul style="list-style-type: none"> • Historic yield 5.1% p.a. • Specialist emerging market house • Focus on quality companies who dividends • Look for areas where there are cheap valuations 	<ul style="list-style-type: none"> • Focus on dividend only companies means that they not hold some of the high tech companies

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UPDATE....

This may appeal to investors looking for income producing assets. This has delivered a historic net yield of 5.1%. Although this strategy has a value tilt it has been able to outperform the broader market with lower levels of volatility.



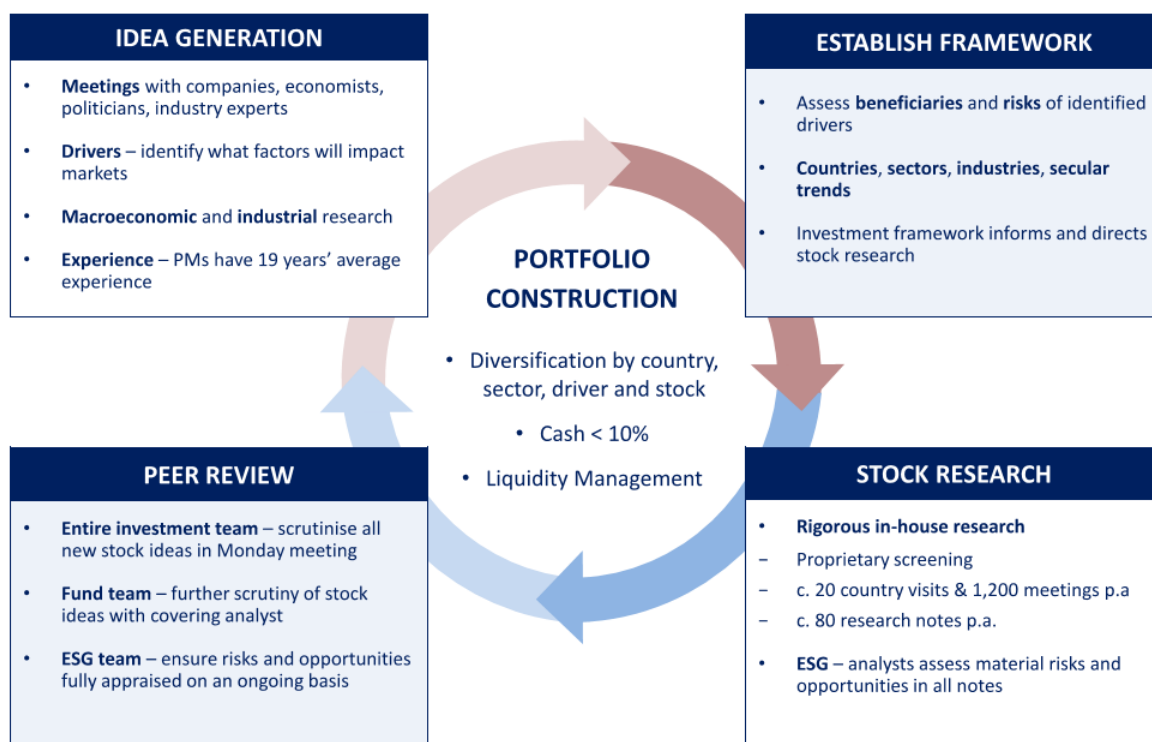
Mark and Carolyn have managed the strategy since 2012. The strategy and assets were purchased by Somerset in 2020. Clearly this was not perfect timing as everyone was in lockdown and it was difficult to meet the new colleagues face to face. Things have now settled, and the extra resource is clearly

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benefiting the managers. Somerset is purely an emerging market house and having that knowledge is something they didn't have at Liontrust.

The fund has a value tilt but this could be more to do with the positioning of the strategy which is skewed towards mid-cap, and will only invest in quality companies that pay a dividend. They also look to areas which have naturally underperformed.

Process: Top-Down & Bottom-Up Fundamental Research



Looking at the most recent purchases, four of these are Chinese companies:

Shenzhen Kedali – major manufacturer and supplier of battery casings for the EV market

Techtronic Industries – producer of power tools for the developed world

WuXi AppTec – leading provider of outsourcing services for the global pharmaceutical industry

Weichai Power – diesel engine manufacturer

We discussed the risks of investing in China. They follow things very carefully and some simple rules of thumb are avoiding sectors or companies that the government don't like and avoiding companies which charge too much for their services.

We talked about other areas and opportunities. They do not currently invest in Indonesia as it is expensive. They tend to avoid Malaysia as the political structure doesn't make it friendly for investors and political uncertainty is a reason to avoid Pakistan. They are looking at the Philippines and Vietnam, but it comes down to identifying quality companies at good prices and importantly liquidity.

They are long term investors and 20% of the holdings have been in the fund for over 10 years. They will trim if the holding becomes too big. Lotes is an example where they have taken out more than they put in.

Somerset Asia Income Fund
Top 5 Stock Performers vs MSCI APAC ex JP Last 10 Years



Source: Bloomberg. Top 5 stock performers vs MSCI Asia Pacific ex Japan in GBP from 30th Nov 2012 to 24th Nov 2022 (if stock was bought or sold within the period, relative performance of stock in holding period is shown).

The strategy operates an ESG policy around:

We consider four broad ESG risk factors for all investments:



This is not an exclusionary strategy and they have held a thermal coal producer. They believe it is better to be able to invest and engage than exclude and have no power to influence change. If companies don't change then they will sell out.

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The focus on dividends and high-quality means that in fast rising markets this fund will lag, but overtime this should work across more market environments and therefore deliver more stable returns with lower volatility.

In terms of selling, they may sell when a stock becomes too expensive or when something has fundamentally changed. An example was Cifi where there will rumours about debt even though this is a government backed Chinese Property Developer. They sold before the announcement came out and the stock went down by 50%. It has since recovered by 200%!

In summary, for investors seeking income this has provided a strong yield. The team operate a strict quality discipline but have a value tilt, meaning the companies on average offer a lower valuation than the index.

The source of information in this note has been provided by Somerset and is correct as of December 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.